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C O N F I D E N T I A L ANKARA 002953

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E.O. 12958: DECL: 05/07/2013

TAGS: [EINV](#) [ENRG](#) [ECON](#) [PREL](#) [TU](#)

SUBJECT: UPDATE ON BOT COMPANIES IN TURKEY

REF: A) ANKARA 1390 B) ANKARA 416 C) ANKARA 8594 ,02

Classified by Econ Couns Scot Marciel for reasons 1.5 (b,d)

1. (C) Summary: Energy Minister Guler is continuing to pressure the BOT projects to cut their electricity tariffs, threatening parliamentary investigations or legal troubles if they do not. The BOTs, which include U.S.-owned companies Trakya Elektrik (Enron) and Doga Enerji (Edison Mission), have informed the Minister in writing that they are not prepared to change the terms of their contracts with the Ministry of Energy (MENR). We have raised this issue with senior GOT officials in recent weeks -- and many times over the last several months -- with no progress. Although we recognize the GOT's right to try to renegotiate the BOT contracts, we oppose any effort to force contractual changes. We recommend that the OPIC/ExIm delegation, which will meet with GOT officials May 14-16 in Ankara, focus on getting the government to back off from its threats and approach the companies with an eye toward compromise. End summary.

2. (C) Minister of Energy Guler called in the BOT projects again on April 10, including U.S.-owned companies Trakya Elektrik (Enron) and Doga Enerji (Edison Mission), and U.K.-Japanese owned Uni-Mar. This meeting was a follow-on to the February 6 meeting, during which the Minister first asked the companies to cut their electricity prices (ref A). According to company representatives, the Minister was even more aggressive at the April meeting, threatening parliamentary investigations or legal proceedings for "fraudulent" contracts if the companies did not lower their tariffs. We understand that Doga, Trakya, and Uni-Mar have all responded to the Minister in writing, informing him that they would not be able to comply with his request and they could not change the terms of their contract; however, company reps have told us off the record they would be more inclined to negotiate if the "gun was removed from their head."

3. (C) We have raised this issue in recent weeks in meetings with senior GOT officials. The Prime Minister's Chief Advisor, Ahmet Davutoglu, told the DCM he was not familiar with the problem and asked for a backgrounder on the issue (which we subsequently provided). Davutoglu added that, from his uninformed perspective, it seemed that contracts were contracts and any changes must be mutually agreed. The new Energy Undersecretary Sami Demirbilek told Econ Couns that the Energy Ministry wanted to approach the problem in a way that did not hurt Turkey's foreign investment climate; however, he said, he believed the companies needed to make some "adjustments" based on the current realities in Turkey.

4. (C) President of the Energy Market Regulatory Authority (EMRA) Yusuf Gunay told Econ Couns that Energy Minister had committed publicly to cutting electricity prices -- even though setting price's was EMRA's responsibility -- and consequently felt he needed to force the BOTs to cut their tariffs. Gunay, who clearly felt uncomfortable with the Minister's approach with the companies, advised Econ Couns that Minister Guler was the driving force on this issue, and would be the key to resolving it.

5. (C) Comment: Although we recognize the GOT's right to try to renegotiate the BOT contracts, we oppose any effort to force contractual changes. Post understands OPIC and ExIm officials will raise this issue with the GOT in May 14-16 meetings in Ankara. We recommend that the delegation focus on getting the government to back off from its threats and approach the companies with an eye toward compromise. End comment.

